



Internal Audit Report
Education and Children's Services,
Education: Early Years & Primary
15-16 (a) Kinross Primary School
December 2015

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Blackfriars Development Centre
North Port
Perth PH1 5LU

Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2015/16, which was approved by the Audit Committee on 1 April 2015.

Financial Policies and Procedures have been laid down by the Education & Children’s Services (ECS) Finance Support Team. They provide the framework for financial management in establishments within the Service.

This report details the findings in relation to Kinross Primary School, which was visited during November and December 2015.

Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with the staff in Education & Children’s Service’s Finance Support Team. Visits were made to Kinross Primary School to review and test Financial Procedures.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that the primary school is managed in accordance with the Financial Policies and Procedures as laid down by Education & Children’s Service.

Auditor’s Comments: The Council’s Financial Regulations are supplemented by Education and Children’s Services operational regulations with the ECS Financial Policies and Procedures detailing the procedural control for the financial management of schools. The Financial Procedures are in the process of being updated to reflect best practice.

Testing confirmed that the financial management information was up to date in that the school prepares monthly monitoring statements which reflect the current budget, spend to date and the projected outturn highlighting any over/under spends.

There are adequate controls in place for petty cash and school meals income.

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PECOS is used to order goods and services, however the school's inventory list is out of date, and there are no site specific procedures.

The Auditor confirmed that the £1,000 safe limit for insurance is regularly exceeded. This is due to a change in process as part of the banking review whereby all money is collected and banked on a fortnightly basis. The Service advised that the risk surrounding this is being managed by the Finance Support Team who are keeping and monitoring a register of when schools are exceeding their safe limits. The Service further advises that once ParentPay is rolled out to all schools by mid 2016, there will be less of a requirement for schools to collect monies from children or parents, which will minimise the amount of cash held in schools.

The school fund package is in use and is being reviewed and discussed at regular committee meetings. School funds for the current year were independently examined, and although school fund receipts are being issued, official Perth & Kinross Council (PKC) receipt books are being used which is not in accordance with service procedures.

It was noted that there was a lack of understanding of the recording and reconciliation process in respect of Nursery Snack and Toy Fund monies and that additional training should be provided. Additionally, receipts are not being issued for income over £10 when collected for nursery snack/toy fund.

The school are aware that the required financial statement had not been prepared for a school trip where the parental contribution exceeded £25 and steps will be taken to remedy this for next year.

Testing confirmed that Parent Council transactions had been listed on the school fund package and processed through PECOS, which is not in accordance with current ECS Financial Policies and Procedures.

Strength of Internal Controls:

Moderately Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The

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completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Education and Children's Services Finance Support Team and the staff at Kinross Primary School during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive, ECS (Equality, Community Planning and Public Service Reform)

S Devlin, Director, Education & Children's Services

J Clow, Acting Head of Education (Early Years & Primary)

J Symon, Head of Finance

P Smith, Headteacher, Kinross Primary School

G Boland, Senior Business and Resources Manager

J Cockburn, Finance and Governance Manager

G Taylor, Head of Democratic Services)

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 23 December 2015

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Inventory List	Low
2	School Funds	Medium
3	Parent Council	Low
4	Internal Procedures	Low

Appendix 2: Action Plan

Action Point 1 - Inventory List

Education and Children's Services Financial Policies and Procedures state that the Headteacher should ensure that an Inventory List is prepared for their area of responsibility. The Inventory List should list each item of equipment held in the establishment with a purchase price of £100 or more with items on the list being marked as property of Perth and Kinross Council

Although the school had prepared an inventory list, it was dated September 2014. There is a risk therefore that the council's assets records are not up to date, accurate or secure.

Management Action Plan

An updated Inventory List will be compiled in accordance with the Financial Policies and Procedures.

Importance:	Low
Responsible Officer:	P Smith, Headteacher, Kinross Primary School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	May 2016
Required Evidence of Completion:	Inventory List

Auditor's Comments

Satisfactory

Action Point 2 - School Funds

School Fund receipts are being issued on the official PKC receipt books, which is not in accordance with service procedures.

It was noted that there was a lack of understanding of the recording and reconciliation process in respect of Nursery Snack and Toy Fund monies and that additional training should be provided in this area. In addition, receipts are not being issued for income over £10 where collected for nursery snack/toy fund.

A Financial statement was not prepared for a trip where the parental contribution was over £25.

Management Action Plan

(a) The school is to source non-PKC numbered receipt books and ensure future receipts are issued from this in regards to school funds.

(b) Receipts are to be issued for income over £10.

(c) School to ensure that a financial statement is prepared for the next school trip

(d) Service to provide training to ensure that Nursery Snack and Toy Funds are managed in accordance with the procedures.

Importance:	Medium
Responsible Officer:	(a),(b),(c) P Smith, Headteacher, Kinross Primary School (d) P Anderson, Assistant Finance Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	(a) March 2016 (b) March 2016 (c) August 2016 (d) January 2016
Required Evidence of Completion:	(a) Sample of receipts issued from non PKC numbered receipt book (b) Sample of receipts issued for over £10 (c) Financial Statement for trip (d) Confirmation from service that training has been undertaken

Auditor's Comments

Satisfactory

Action Point 3 - Parent Council

Parent Council transactions had been listed on the school fund package and processed through PECOS, which is not in accordance with current ECS Financial Policies and Procedures.

Management Action Plan

School to ensure that only school funds transactions are included in the school funds package and processed through PECOS.

Importance:	Low
Responsible Officer:	P Smith, Headteacher, Kinross Primary School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	March 2016
Required Evidence of Completion:	Extract from school funds package

Auditor's Comments

Satisfactory

Action Point 4 - Internal Procedures

It was noted that there was a lack of documented internal procedures. Whilst staff are aware of their day to day duties, in the event of absence of a member of staff, the daily routines may not be followed in their entirety and as such, control checks would not be carried out correctly.

There is a risk that without the required level of guidance daily routines will not be carried out in an efficient manner, particularly if there is an unplanned staff absence

Management Action Plan

Daily routines to be documented so that it is clear what actions are to be taken in the event of the absence of a member of clerical staff.

Importance:	Low
Responsible Officer:	P Smith, Headteacher, Kinross Primary School
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	March 2016
Required Evidence of Completion:	Documented daily routines

Auditor's Comments

Satisfactory

